Abstract

Unemployment Insurance (UI) is the major public insurance program in the United States that protects families against the dangers of involuntary job loss. This report examines the impact of changes made to Michigan’s UI program in 2011 on program access for Michigan’s unemployed workers. Based on analyses conducted on state-level administrative data, study findings are consistent with the conclusion that the 2011 changes to Michigan’s UI program have reduced the number of short-term unemployed workers who access state program benefits. The changes are associated with between a 19.2% and 34.8% reduction in the UI recipiency rate for Michigan’s short-term unemployed. This report further documents that the reduction in state benefit weeks from 26 to 20 caused workers to lose additional weeks from related federal UI programs, which were prorated based on the number of benefit weeks offered by states.
Executive Summary

Unemployment Insurance (UI) is the major public insurance program in the United States that protects families against the dangers of involuntary job loss. UI also plays an important role as an economic stabilizer, as beneficiaries spend their benefit dollars at neighborhood grocers and other businesses.1 Michigan’s UI program has played a particularly important role in buffering Michigan families and the state’s economy during the current period of sustained high unemployment. Michigan’s unemployment rate as of October 2013 was 8.6%, well above the national rate of 7.2%.

In 2011, the Michigan State Legislature made a series of changes to the state’s UI program that took effect in 2012. Best known was the reduction in the maximum number of state benefit weeks available to new claimants to 20 weeks—6 weeks less than the standard used by most states. The Legislature also made a series of lesser-known changes to Michigan’s UI program, the net effect of which was to reduce rates of program eligibility, increase burdens on claimants, and give Michigan’s Unemployment Insurance Agency (UIA), the state department administering the program, more tools to contest claims.

The Michigan Unemployment Insurance Project (MiUI) has raised concerns that the net effect of the recent changes to Michigan’s UI program has been to reduce access to this important social insurance program for families who need it. If these changes were to reduce access to UI, this could have adverse effects both on Michigan’s economy and on the well-being of unemployed workers and their families. In particular, UI is known to stabilize household spending during periods of unemployment, which is particularly important for households with children.2

Because of the importance of this public insurance program, MiUI has commissioned two independent reports.3 The first, released in September of 2012, provided a preliminary assessment of the possible impact of the 2011 changes to Michigan’s UI program on the well-being of unemployed families, particularly those with children, and for the state as a whole.4

This follow-up report uses state-level administrative data to more fully assess the impact of the 2011 changes on access to UI for Michigan’s unemployed workers. In it, we first examine the unprecedented decline in the percentage of short-term unemployed workers receiving state benefits since 2011.5 By concentrating on short-term unemployed workers—those who are most likely to be eligible for state UI benefits—we attempt to isolate the impact of the six-week benefits reduction, as well as the lesser-known changes to the state’s UI program. We begin by comparing the actual percentage of short-term unemployed workers in Michigan receiving UI in 2012 and 2013 to the percentage predicted by the state’s pre-2011 trends. Next, we compare Michigan to Ohio and Illinois to see if recipiency declined relative to these neighboring states after the 2011 changes.

Study findings are highly consistent with the conclusion that the 2011 changes to Michigan’s UI program have reduced the number of short-term unemployed workers who access state program benefits. The legislative changes are associated with between a 19.2% and 34.8% reduction in the recipiency rate for Michigan’s short-termed unemployed. This equates to a loss of weekly benefits for...
between 14,600 and 32,800 workers in an average week over the six-month period ending in October 2013.

We further document that the reduction in state benefit weeks from 26 to 20 caused workers to lose additional weeks from related federal UI programs, which were prorated based on the number of benefit weeks offered by states. As of October 2012, the cut to state benefit weeks cost long-term unemployed workers in Michigan up to 11 additional weeks of federal benefits available in other high-unemployment states that had not cut their state programs; in October 2013, Michigan’s long-term unemployed lost up to eight weeks of federal benefits. It is likely that the loss of these federal dollars has hit hardest Michigan counties with the highest unemployment rates, such as Montcalm, Oceana, Ontonagon, Presque Isle, Schoolcraft, Wayne and St. Claire.

Changes to Michigan's UI Program

An accounting of the major changes to Michigan’s UI program adopted during 2011 reveals 16 changes that could negatively affect access to program benefits to varying degrees, and 6 changes that give claimants more flexibility and may have a positive impact on access. Appendix table 1 summarizes these changes in more detail.

The best known among the 2011 changes was the reduction in the maximum number of weeks of regular program benefits from the 26-week standard used by a large majority of states, to 20 weeks. This directly results in fewer weeks of benefits for unemployed workers experiencing spells of unemployment lasting more than 20 weeks.

The 15 other changes may also reduce access through three specific mechanisms: (1) reduced eligibility rates for benefits by expanding the types of employment that are not eligible for benefits and increasing the types of disqualifying separations; (2) increased burdens on claimants through additional obstacles to maintaining eligibility for UI benefits; and (3) giving Michigan’s Unemployment Insurance Agency more tools to contest claims, with very few protections for the claimants.

Six other provisions may increase flexibility for claimants to pursue work arrangements that work well for their families without losing UI protections, and a few ease the application and appeals process. Overall, however, the weight of the 2011 changes to UI is in the direction of making it more difficult to access the program.

Have the 2011 Changes Reduced Access to UI?

To test the impact of the 2011 UI changes on program access, we conduct multiple analyses using publically available administrative data. The typical measure of program access for UI is the recipiency rate, which measures the percentage of unemployed workers who receive unemployment insurance benefits in a given week. For example, a recipiency rate of 25% indicates that one-quarter of a state’s unemployed workers are receiving state UI program benefits. In general, to be eligible for UI, jobless workers must become unemployed through no fault of their own and have met minimum earnings requirements. Still, state recipiency rates vary greatly as a result of state labor market conditions as well as state statutes and administrative practices. Over the
long-term, Michigan’s recipiency rate has been slightly above the middling level across states.

The recipiency measure used in this report is the ratio of the average number of individuals receiving weekly benefits to the average number of unemployed workers, taken over a six-month period. This measure was recommended by the Advisory Council on Unemployment Compensation because it more closely represents the percentage of unemployed workers collecting regular state benefits than the other alternatives.15

We limited most of our analyses to short-term unemployed workers—those who have been out of work for 26 weeks or less and who are most likely to be eligible for state unemployment benefits. Over much of our study period, workers experiencing longer unemployment spells may have accessed benefits from the federal supplemental UI programs. Also, for much of the study period, workers experiencing longer spells may have begun receiving benefits before the 2011 changes went into effect. For these reasons, we chose to concentrate on short-term unemployed workers in an effort to isolate any impact of the state legislative changes on recipiency with the data currently available, and to control for varying rates of long-term unemployment and access to federal extended benefits, all of which complicate comparisons between states and within a single state over time.

Thus, our recipiency measure is a moving six-month average based on the monthly number of weeks compensated (not seasonally adjusted) for the regular state UI program, divided by the monthly (not seasonally adjusted) number of short-term unemployed workers.16

Figure 1 presents the results of this analysis. The state’s actual short-term recipiency rate is plotted in green with the prediction from the model described above in red. The model generates values for each month in the study period, however, for ease of interpretation only values from October of each year (representing a six-month average ending in October) are plotted. Results are substantively similar when all months are plotted.

It is first worth noting that in 2012 and 2013—the years following the implementation of the 2011 changes to Michigan’s UI program—we find that the UI recipiency rate for short-term workers falls to the lowest levels in Michigan’s
recorded history. By October 2013, this recipiency rate had fallen to 22.3%, fully 8 percentage points lower than the next closest value.

Examining first how well the predicted recipiency rate tracks the actual recipiency rate (using figure 1), we see that the model performs quite well. The predicted rate trend line follows closely the actual trend line, deviating by an average of 1 percentage point over the period 1995 to 2010. However, in 2012 and 2013, the actual recipiency rate falls sharply, to 12.0 percentage points below in 2012 and fully 19.6 percentage points below what pre-2011 trends would have predicted in 2013.

It is worth noting that the predicted recipiency rate line fell somewhat below the actual recipiency rate line in 2010, suggesting that perhaps something else besides the 2011 changes (which had yet to take effect) was exerting downward pressure on the recipiency rate that year. To account for this in attributing how much of the decline in recipiency is due to the 2011 changes, we take the difference between the actual and predicted line in 2012 and 2013 and subtract those differences from the difference between the actual and predicted lines in 2010. Based on this calculation we come to our first estimate of the impact of the 2011 changes to Michigan’s UI program: We find that Michigan’s pre-2011 trends suggest that these changes reduced the recipiency rate for the state’s short-term unemployed by 11.9 percentage points.

Source: Analysis of U.S. Department of Labor, Unemployment Insurance Claims Reports.
Test 2: Comparing Michigan to Two Midwestern Peers

Another way to test whether the 2011 changes reduced access to Michigan’s UI program is to examine trends over time in Michigan’s recipiency rate relative to the trends of nearby states of similar size and with similar economies. We select Illinois (which has historically had a very similar recipiency rate to Michigan) and Ohio (which has historically had a much lower recipiency rate). Neither state made major changes to their state UI programs in recent years. Rather than simply compare the recipiency rate of short-term unemployed in Michigan to the rate for these states after Michigan’s 2011 changes were implemented, the goal of this analysis is to compare the difference between the recipiency rate in Michigan and these states in 2012 and 2013, relative to the difference between these recipiency rates before Michigan’s 2011 UI changes were implemented (the difference in the difference, so to speak).

Figure 2 does this descriptively by plotting the recipiency rate for the short-term unemployed in Michigan alongside the combined Illinois and Ohio recipiency rate for the short-term unemployed. We collapse Illinois and Ohio into one trend line for ease of interpretation, although the same conclusions hold if the two states are plotted separately.

Source: Analysis of U.S. Department of Labor, Unemployment Insurance Claims Reports.
The combined recipiency rate for these two peer states tracks Michigan’s rate very well between 1995 and 2010, with Michigan being an average of three percentage points higher than its peers over this period. There are two years during this time period when Michigan’s recipiency rate is substantially higher than that of the combined Illinois and Ohio comparison, but only one year during this entire period when Michigan’s rate was more than 1 percentage point lower than its peers, and even then it was still relatively close (4 percentage points lower).

However, in 2012 and 2013, Michigan’s recipiency rate for the short-term unemployed fell substantially below the combined recipiency rate for Illinois and Ohio, by a full 7 percentage points in 2012 and then 8 percentage points in 2013. Figure 2 shows how a sizeable gap opened up between Michigan and the two comparison states after the implementation of the 2011 changes (and unlike with test one, there is no real gap in 2010 or 2011, before the 2011 changes were implemented), with Michigan substantially lower than the combined rate for these two states for the first time in recorded history.

It is possible, of course, that differences in the states’ labor markets are either masking the full effect of the 2011 changes to Michigan’s UI program, or making them appear bigger than they are. In order to more precisely capture the effect of the changes, we conduct two additional multivariate difference-in-differences analyses, first with Illinois and then with Ohio. We model the recipiency rate for the short-term unemployed by state and month as a function of state, calendar month, and the state-month unemployment rate. A series of state variables then capture the difference between...
Michigan’s recipiency rate by year first as compared to Illinois, and then Ohio. The variables allow us to see the difference between the states, both before the 2011 changes went into effect and after. If the 2011 changes caused Michigan’s recipiency rate for the short-term unemployed to fall relative to the other states, then the relevant point estimates from 2012 and 2013 should be negative and statistically significant.

In fact that is what we find. Even after accounting for differences in the states’ economies, Michigan’s recipiency rate fell relative to Illinois and Ohio in a statistically significant and substantial way. Figure 3 estimates what the results of these three models suggest in terms of lost benefits for unemployed workers in Michigan. These estimates are taken from results for a six-month average ending in October 2013, the latest date for which we had data at the time of analysis.

A comparison with Illinois leads us to the most conservative conclusion, that the 2011 changes to Michigan’s UI program are associated with a loss of benefits for 14,578 short-term unemployed workers in an average week, equivalent to a 19.2% drop in the UI recipiency rate for the short-term unemployed in Michigan.

The comparison with Ohio leads to a slightly higher estimate of lost benefits for 20,906 workers in an average week, a drop in the recipiency rate of 25.4%. Finally, the analysis comparing Michigan’s recipiency rate to what pre-2011 trends would have suggested yields the largest estimate—that the changes have been associated with a loss of benefits for 32,754 workers in an average week, a drop in benefits of 34.8%. If we assume that workers losing benefits would have received the state average for weekly benefits (taken from October 2013), then these estimates would equate to a loss of benefit dollars paid to workers in an average week of between $4.1 million and $9.1 million.

The Impact of the Reduction in State Benefit Weeks on Lost Federal Benefits

One clear effect of the 2011 changes to Michigan’s UI program has been a reduced flow of federal UI benefit dollars into the state of Michigan. During the period of sustained high unemployment following the Great Recession, Congress provided additional weeks of federal unemployment insurance benefits through a combination of two federal supplemental UI programs: the temporary Emergency Unemployment Compensation program and the permanent Extended Benefits program.12 These programs provided extra weeks of benefits to workers who exhausted their state benefit weeks, in most states after 26 weeks.

The total weeks of federal benefits available to workers varied at the state level by the state unemployment rates (states with higher unemployment rates got more help) and, importantly, the number of benefit weeks provided through state unemployment insurance programs. Only those states offering at least 26 weeks of state benefits qualified for the federal maximum in aid available at a given unemployment rate. Thus, many unemployed workers in the few states such as Michigan that reduced the maximum duration of state benefits not only received fewer weeks of state benefits, but also lost additional weeks of federal unemployment insurance coverage.
The effect of this is demonstrated in figure 4. In October 2011—before the Michigan Legislature cut the maximum number of state benefit weeks available to workers from 26 to 20 weeks—unemployed workers in Michigan qualified for 99 weeks of combined state and federal benefits, the national maximum. However, after the state benefit reduction took effect in January 2012, Michigan’s unemployed workers lost out on both federal and state benefits. In October 2012, long-term unemployed workers in Michigan lost up to 17 weeks of UI benefits, including the loss of six weeks of state benefits and eleven weeks of federal benefits. As of October 2013, jobless workers lost up to eight weeks of federal unemployment insurance. As of 2014, the federal supplemental UI programs have been terminated. Even so, going forward, unemployed workers in Michigan will be still eligible for six fewer weeks of state UI benefits than jobless workers in the large majority of states, in particular Ohio, Illinois, Indiana, and Wisconsin.
Conclusion

Unemployment Insurance (UI) is the major public insurance program in the United States that protects families against the dangers of involuntary job loss. The program also acts as an important economic stabilizer, as beneficiaries spend their benefit dollars at neighborhood grocers and other businesses.

This study undertakes a series of independent analyses to assess the impact of the 2011 changes made by the Michigan Legislature to the state’s UI program. First is a test comparing program access to what pre-2011 trends in Michigan would have suggested. Then, UI access over time in this state is compared to two Midwestern peers.

Across each of these independent tests, study findings are highly consistent with the conclusion that the 2011 changes to Michigan’s UI program have reduced the number of short-term unemployed workers who access state program benefits. The legislative changes are associated with between a 19.2% and 34.8% reduction in the recipiency rate for Michigan’s short-term unemployed. This equates to a loss of weekly benefits for between 14,600 and 32,800 workers in an average week over the six-month period ending in October 2013. Even the very lowest of these estimates equates to a loss of over $4 million in benefit dollars in a given week.

Beyond reducing reciprocity for the state program, the reduction in the maximum number of state benefit weeks from 26 to 20 caused workers to lose additional weeks from related federal UI programs. As of October 2012, the cut to state benefit weeks cost long-term unemployed workers in Michigan up to 11 additional weeks of federal benefits available in other
high-unemployment states that did not cut their state programs; in October 2013, Michigan’s long-term unemployed lost up to 8 weeks of federal benefits. It is likely that the loss of these federal dollars has hit hardest the Michigan counties with the highest unemployment rates, such as Montcalm, Oceana, Ontonagon, Presque Isle, Schoolcraft, Wayne and St. Claire.

If the results of this report are correct, then the 2011 changes to Michigan’s UI program have precipitated a major reduction in access to this important public insurance program. As the first report in this series highlighted, this reduction in access has likely had a net negative impact on the state's economy. Further, the weight of the empirical evidence suggests that this reduced access has likely negatively impacted the material well-being of the state’s unemployed families.\(^{13}\) Such a shift in the state's commitment to its workers may merit further conversation within the Legislature, by the Governor, and by the public at large.
About the Authors

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About the Report Sponsor

MiUI is a nonprofit law firm that provides free unemployment insurance advocacy, advice and assistance to unemployed workers in southeast Michigan. Since opening their doors in January 2010, MiUI has assisted nearly 900 unemployed workers with assistance from law student volunteers. To date, MiUI’s work has returned an estimated $3 million to unemployed families and their communities. For more information, visit www.miui.org.

About the Funder

The W.K. Kellogg Foundation (WKKF), founded in 1930 as an independent, private foundation by breakfast cereal pioneer Will Keith Kellogg, is among the largest philanthropic foundations in the United States. Guided by the belief that all children should have an opportunity to thrive, WKKF works with communities to create conditions for vulnerable children so they can realize their full potential in school, work and life.

The Kellogg Foundation is based in Battle Creek, Mich., and works throughout the United States and internationally, as well as with sovereign tribes. Special emphasis is paid to priority places where there are high concentrations of poverty and where children face significant barriers to success. WKKF priority places in the U.S. are in Michigan, Mississippi, New Mexico and New Orleans; and internationally, are in Mexico and Haiti. For more information, visit www.wkkf.org.
Endnotes


3. While MiUI has generated the research questions, neither MiUI nor the funder, WKKF, has control over the research methods used, the analysis of results, or the final conclusions drawn.


5. We consider individuals who have been out of work for 26 weeks or less to be short-term unemployed.


8. This is taken from administrative data reported on Department of Labor ETA Form 5159.

9. This is taken from the Current Population Survey.


11. The numerator—the average number of individuals receiving benefits in a given week over the six-month period—is the sum of the number of weeks compensated over a six-month period divided by 26 weeks. The denominator—the average number of short-term unemployed workers—is the sum of short-term unemployment over six months divided by six months.

12. The temporary Emergency Unemployment Compensation program initially provided an additional 13 weeks of benefits, but was later expanded to 53 weeks. The permanent Extended Benefits program provided up to an additional 20 weeks in high unemployment states, but as a result of declining state unemployment rates, the program ended in most states during 2012.

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<tr>
<th>CHANGES THAT WILL LIKELY REDUCE ACCESS TO UI</th>
<th>CHANGES THAT WILL LIKELY INCREASE ACCESS TO UI</th>
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<tbody>
<tr>
<td>Reduces the maximum number of benefits from 26 to 20 weeks</td>
<td>Through 9/2015, relaxes restrictions on the ability of claimants to earn a limited amount from part-time employment while collecting UI benefits</td>
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<tr>
<td>Redefines seasonal employment to exclude from benefits retail and other workers hired for a season</td>
<td>Allows claimants to maintain eligibility when they voluntarily leave a secondary part-time job, while holding a full-time job</td>
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<td>Adds an undefined requirement that claimants be “actively” engaged in seeking work, without adequately defining “actively”</td>
<td>Allows claimants who accept new work through a union hall to remain eligible for benefits</td>
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<td>Requires claimants to submit a monthly report about “systematic and sustained search” for work, again undefined</td>
<td>Allows claimants to count severance payments in monetary eligibility calculations</td>
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<td>Makes all work search efforts subject to random audit by the Michigan Unemployment Insurance Agency (MUIA)</td>
<td>Allows claimants to appeal decisions by mail, fax, or other electronic methods</td>
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<td>Requires claimants to ensure that all base period employers—going back 15 months—have their updated contact information. Failure to do so can lead to ineligibility</td>
<td>Allows courts to consolidate separate issues into a single hearing</td>
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<td>Redefines “voluntary quits” to add certain separation circumstances previously considered discharges, reducing likelihood of UI receipt</td>
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<td>Requires workers to accept jobs outside their previous training and at reduced wages after exhausting half their benefits</td>
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<td>Puts more burden of proof on claimants accused of drug use by a former employer</td>
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<td>Expands reasons for disqualification of benefits to include non-separation issues</td>
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<td>Allows the MUIA to assess a 1% interest rate on up to 50% of an owed restitution</td>
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<td>Without a court order, MUIA can now levy a claimant’s bank account—even if it is jointly owned—or garnish a claimant’s wages and current UI benefits</td>
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<td>Increases the ability of MUIA to charge claimants with a felony—with a very low threshold of evidence—for intentional misrepresentation of income amounting to $3,500 or more</td>
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<td>Shifts the burden of reporting prior earnings from employers to claimants, requiring them to submit prior check stubs</td>
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<td>Requires claimants to purchase hearing transcripts themselves</td>
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<td>Replaces Board of Review—which required a balanced tribunal—with the Michigan Appellate Commission, with fewer safeguards to protect claimants</td>
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